

Announcement of 1st Half Operating Results for the Fiscal Year Ending March 31, 2012

October 28, 2011

ITOCHU Techno-Solutions Corporation

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Key 2nd Half Initiatives

Overview of 1st Half FY2011 Performance

Both sales and profits increased year on year; sales and all profit line items outperformed projections

- Sales increase as well as improved profitability and reduced SG&A expenses contributed to year-on-year increases in all profit line items.
- Highest operating, ordinary and net incomes since the business integration between CTC and CRC (Oct. 2006).
- Orders received increased significantly year on year.

1st Half FY2011 Performance Highlights

(Compared with Forecast)



	1st Half FY2011 Actual		1st Half FY2011 Forecast (Apr 27)		Actual vs. Forecast	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Billions of yen	Percent achieved
Net sales	130.4	—	122.0	—	+8.4	106.9%
Gross profit	35.2	27.1%	31.7	26.0%	+3.5	111.3%
SG&A expenses	(26.5)	—	(26.2)	—	(0.2)	101.0%
Operating income	8.7	6.7%	5.4	4.5%	+3.3	161.2%
Ordinary income	8.8	6.8%	5.4	4.5%	+3.3	162.1%
Net income	4.9	3.8%	2.8	2.3%	+2.1	176.2%
Orders received	142.0	—	121.0	—	+21.0	117.4%
Backlog	143.5	—	130.8	—	+12.6	109.7%

Major factors

[Net sales]

Net sales increased in all business groups.

[Gross profit]

Gross profit increased as profits rose and profitability improved.

[SG&A expenses]

Roughly in line with forecast.

[Orders received]

Orders received increased at all business groups, especially in telecom sector.

[Backlog]

Backlog increased reflecting the significant increase in orders received.

1st Half FY2011 Performance Highlights

(Compared with 1st Half of FY2010)



	1st Half FY2011 Actual		1st Half FY2010 Actual		YoY change	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Billions of yen	Growth rate
Net sales	130.4	—	127.3	—	+3.1	+2.4%
Gross profit	35.2	27.1%	32.7	25.7%	+2.5	+7.7%
SG&A expenses	(26.5)	—	(26.9)	—	+0.4	-1.6%
Operating income	8.7	6.7%	5.8	4.6%	+2.9	+50.7%
Ordinary income	8.8	6.8%	5.8	4.6%	+2.9	+49.7%
Net income	4.9	3.8%	2.7	2.1%	+2.2	+82.0%
Orders received	142.0	—	128.4	—	+13.6	+10.6%
Backlog	143.5	—	130.8	—	+12.7	+9.7%

Major factors

[Net sales]

Net sales increased reflecting strong sales in the telecom, enterprise and financial sectors

[Gross profit]

Gross profit increased on higher sales, highly profitable projects and fewer unprofitable projects

[SG&A expenses]

SG&A expenses improved reflecting lower personnel and overhead expenses

[Net income]

Net income increased as ordinary income improved and absence of a significant extraordinary loss compared with the loss on asset retirement obligations recorded in FY2010.

[Orders received]

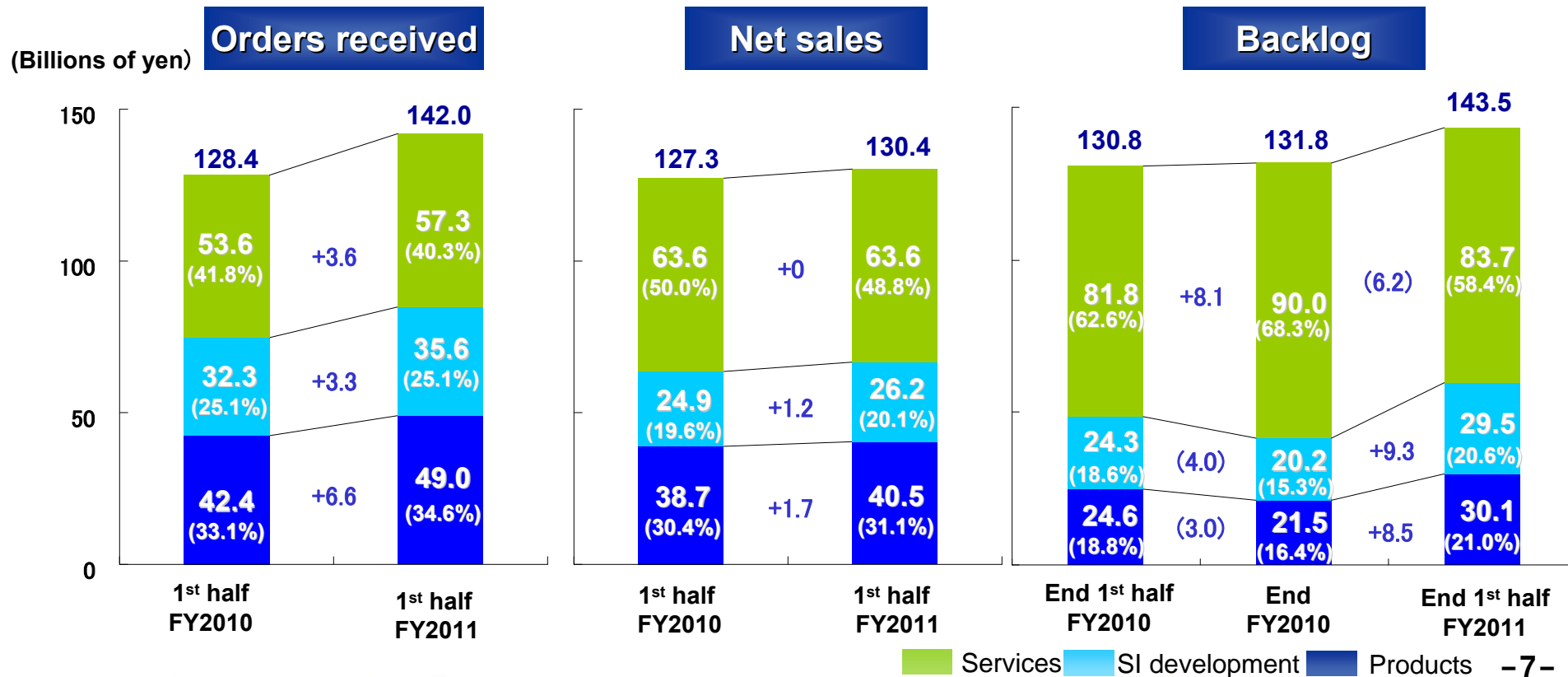
Orders received rose mainly in the telecom and enterprise sectors

[Backlog]

Backlog increased reflecting the significant increase in orders received.

YoY Changes by Business Model

- **Services:** Orders received rose as maintenance and operation projects over multiple years increased.
- **SI development:** Orders received increased as infrastructure SI and development projects grew.
While development in the distribution sector fell, net sales expanded as infrastructure SI and development projects increased in the telecom sector.
- **Products:** Both orders received and net sales increased on the back of growth in network and storage products.

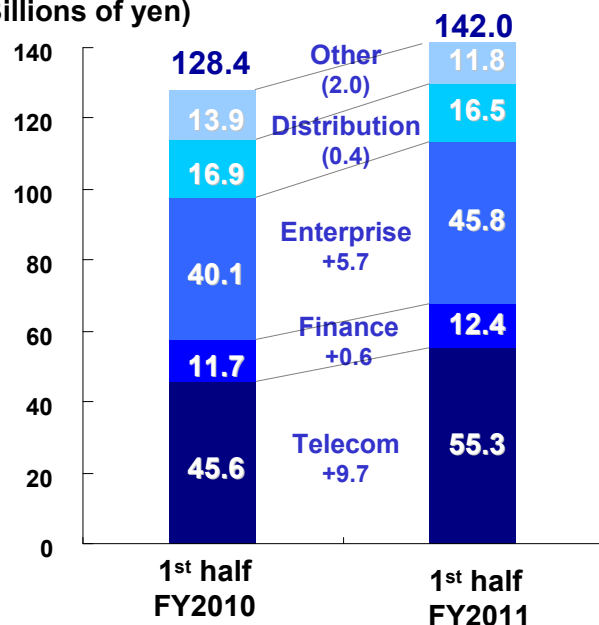


YoY Changes by Business Group

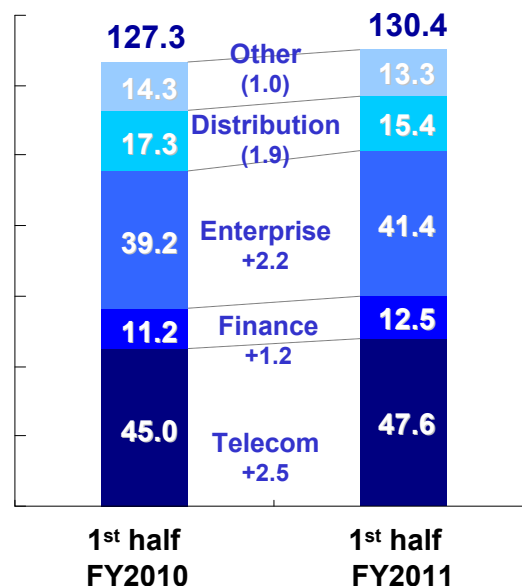
- **Telecom:** Both orders received and net sales rose as the network business grew in response to rising data traffic
- **Finance:** Both orders received and net sales increased on strong performance of projects for credit card companies.
- **Enterprise:** Both orders received and net sales rose on growth in business for the public sector and manufacturers (automobiles).
- **Distribution:** Both orders received and net sales decreased, as projects for trading firms and convenience store operators shrank.

Orders received

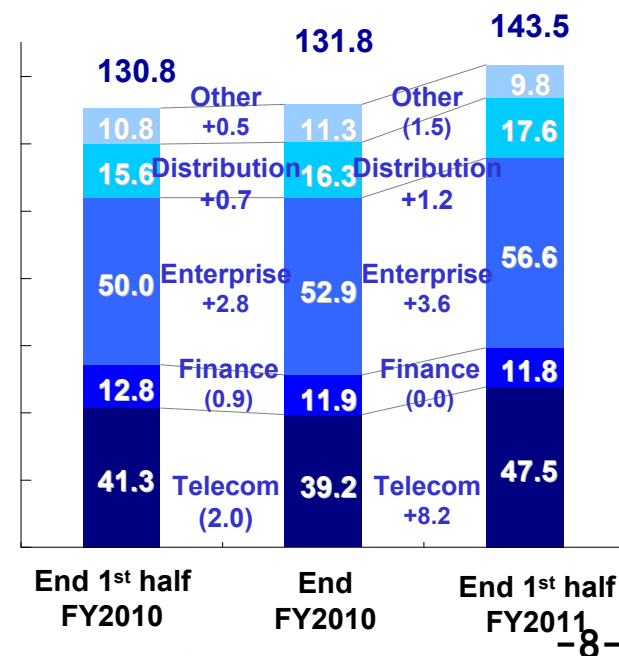
(Billions of yen)



Net sales

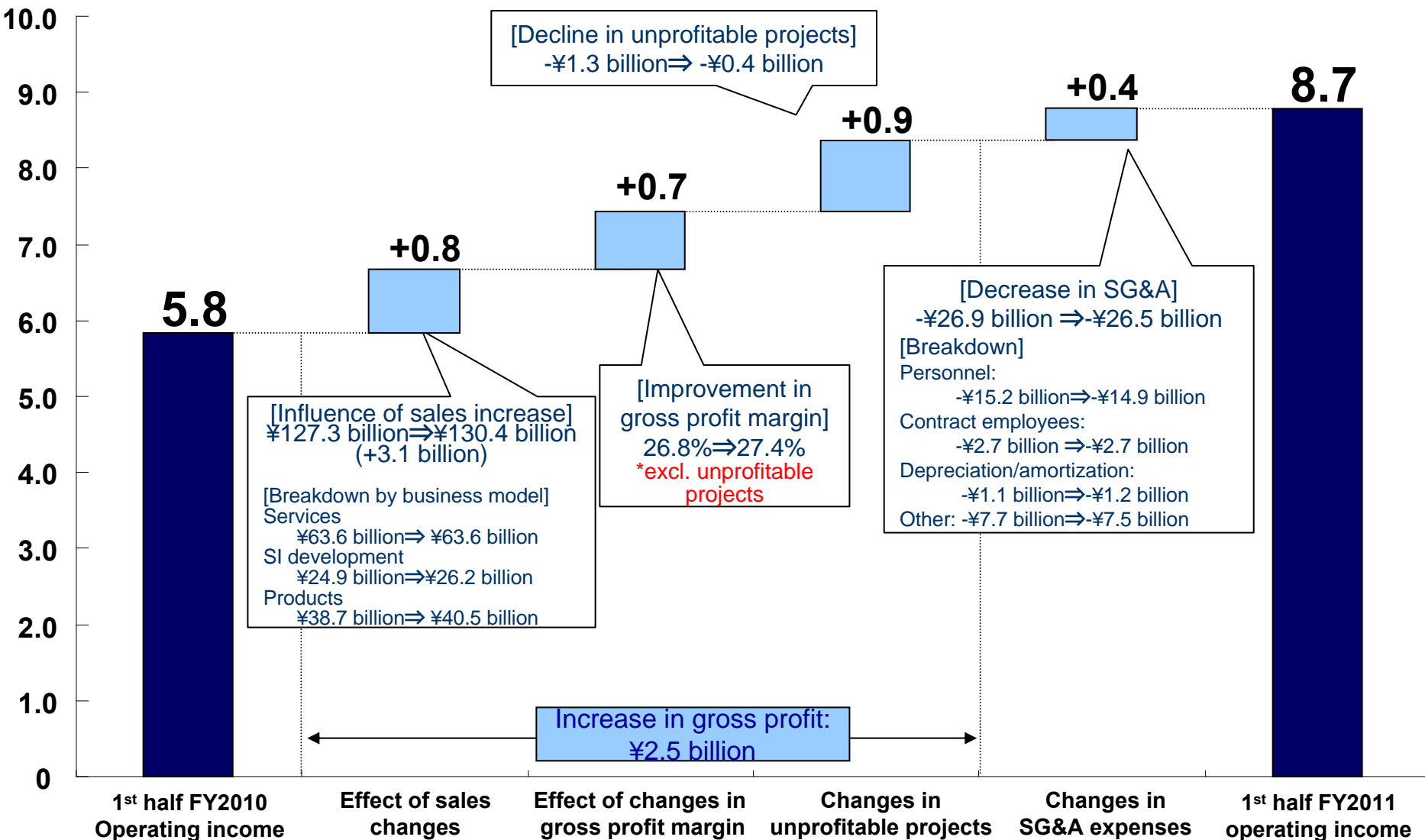


Backlog



Main Reasons for YoY Changes in Operating Income

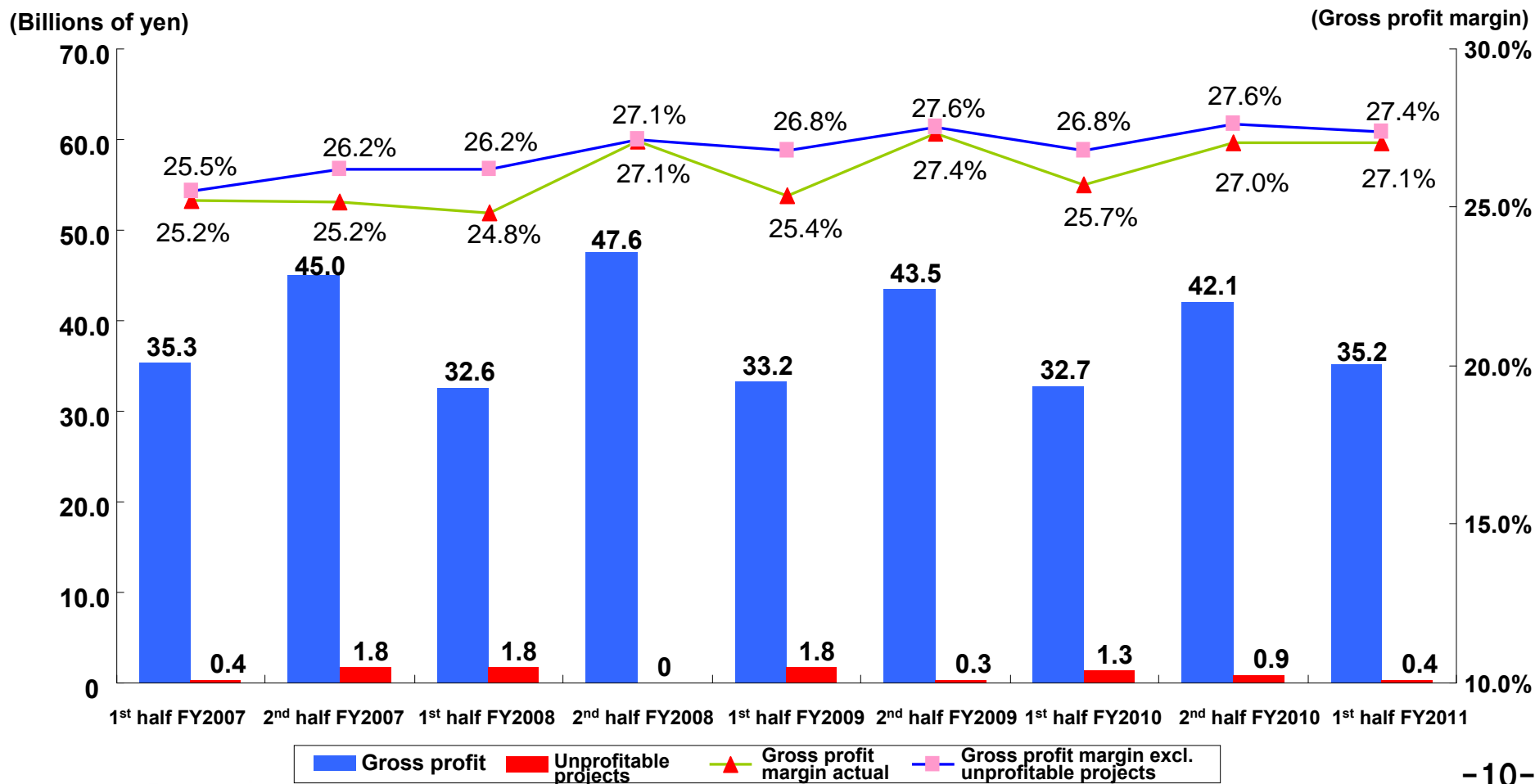
(Billions of yen)



Trends in Unprofitable Projects and Gross Profit Margin

The impact of unprofitable projects decreased significantly versus 1st half of FY2010 (-¥1.3 billion to -¥0.4 billion)

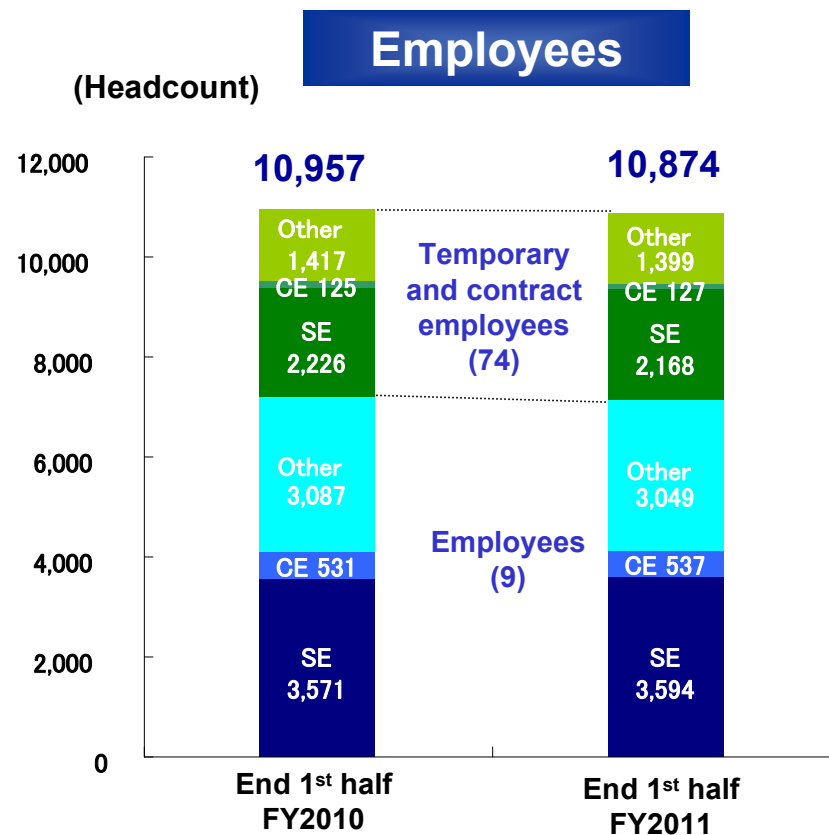
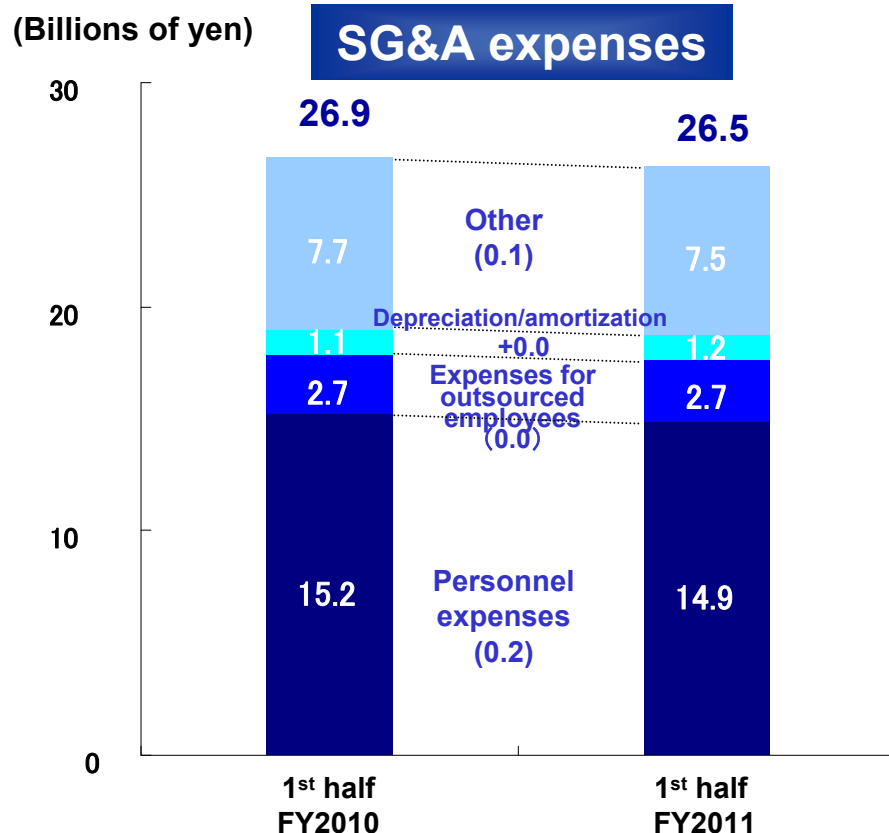
■ Gross profit margin excluding the impact of unprofitable projects also improved by 0.6 percentage points year on year



Reasons for Changes in SG&A

Reduction in SG&A expenses continues (-¥0.4 billion year on year)

- Personnel expenses: Reduced by improving efficiency of in-house engineers.
- Other: Down due to lower overhead expenses.



Non-operating and Extraordinary Items

(Billions of yen)

	1st half FY2011 Actual	YoY change		Major factors
	Billions of yen	1st half FY2010 Billions of yen	Change Billions of yen	
Non-operating income	0.20	0.23	(0.02)	Miscellaneous income (0.04) Equity in earnings of affiliates +0.02
Non-operating expenses	(0.16)	(0.16)	+0.00	—
Total non-operating income	0.04	0.06	(0.02)	
Extraordinary gains	0.02	0.29	(0.26)	Gains on sales of investment securities (0.26)
Extraordinary losses	(0.19)	(1.16)	+0.96	Loss on write-down of investment securities +0.35 Asset retirement obligations +0.67
Total extraordinary losses	(0.17)	(0.87)	+0.70	

Consolidated Cash Flows and Balance Sheets

Consolidated cash flows

(Billions of yen)

	1st half FY2010	1st half FY2011	YoY change
Cash and cash equivalents at beginning of period	73.8	68.3	(5.4)
Operating activities	0.9	4.1	+3.1
Investing activities	(1.9)	(1.1)	+0.8
Financial activities	(4.1)	(5.7)	(1.5)
Cash and cash equivalents at end of period	68.5	65.5	(3.0)
Free cash flow	(1.0)	2.9	+3.9

Free cash flow (FCF)

FCF rose year on year due to an increase in net cash from operating activities, as well as a decrease in net cash provided by investing activities.

[Major reasons for changes in cash flows]

1. Cash flows from operating activities:

Pre-tax net income +3.6

2. Cash flows from investing activities:

Expenses for acquisition of intangible fixed assets +0.8

3. Cash flows from finance activities:

Purchase of treasury stock (5.0)

Income from sale and leaseback +3.7

Consolidated balance sheets

	End 1st half FY2010	End 1st half FY2011	YoY change
Current assets	172.5	175.9	+3.4
Fixed assets	53.3	54.2	+0.9
Total assets	225.8	230.1	+4.3
Current liabilities	60.2	62.9	+2.7
Long-term liabilities	10.7	14.0	+3.3
Total liabilities	70.9	77.0	+6.1
Total net assets	154.9	153.1	(1.7)
Total liabilities and net assets	225.8	230.1	+4.3

[Breakdown of assets and liabilities]

(brackets denote YoY changes)

Current assets

Cash and cash equivalents 20.6 [-17.0]

Notes and accounts receivable 44.1 [+2.0]

Work in progress 9.0 [+2.2]

Securities 44.9 [+13.9]

Fixed assets

Tangible fixed assets 30.0 [-0.5]

Intangible fixed assets 7.9 [+0.6]

Investments and other assets 16.3 [+0.8]

Current liabilities

Notes and accounts payable 20.1 [+1.3]

Unearned income 20.0 [+0.1]

Net assets

Retained earnings 102.8 [+1.9]

Treasury stock (5.3) [-3.9]

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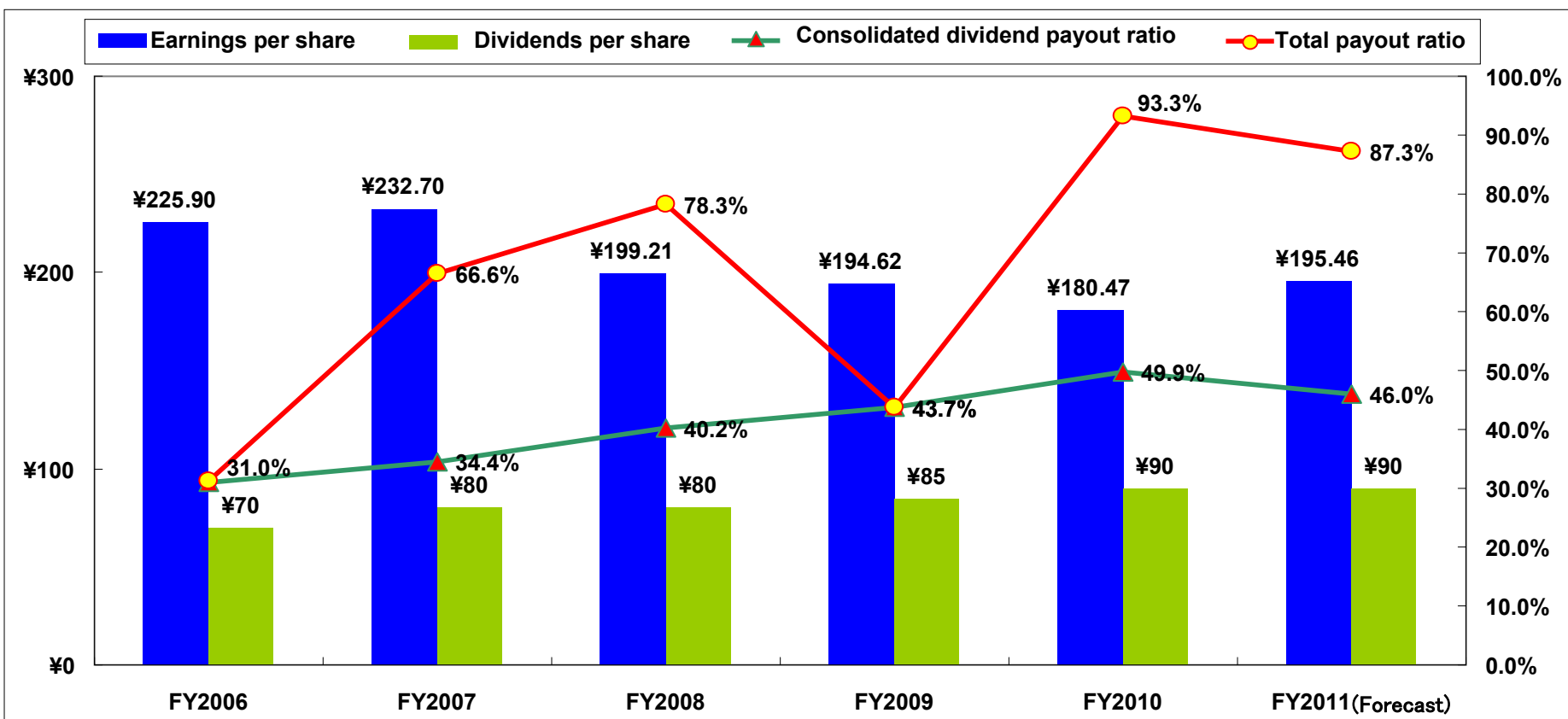
Full-year Earnings Forecast for FY2011

Full-year Forecasts Left Unchanged at This Point

While backlog has increased and we can expect to secure certain level of sales in the second half, in consideration of the continued economic uncertainties ahead, we have decided to leave the full-year net sales forecast unchanged.

Shareholder Returns

- Paid an interim dividend of ¥45 per share (annual dividend forecast of ¥90 per share)
- Consolidated dividend payout ratio of 46.0% (assuming net income of ¥12.0 billion for FY2011)
- Stock buybacks of 4.99 billion yen, 1.55 million shares, carried out in the first half (forecast total payout ratio, including dividends, of 87.3%)



*Total payout ratio = (Stock buybacks + Total dividend payment) / Net income

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IT industry trends

Positive, as IT investment needs are growing in specific fields

- Increased use of cloud computing services and smart phones
- Trends in big data that increases the importance of data processing and analysis as data volumes expand
- Rising demand for disaster recovery and BCP in the aftermath of the earthquake
- Progress in globalization at customers and increased demand for global IT support



Increased polarization of IT vendors and Sler

Ability to offer comprehensive services backed by latest technology is the key



Macro economic trends

Continued attention on impact of rising yen and the crisis in Europe

FY2011 Core Measures

(1) Strengthen cloud and infrastructure business

Medium-term vision

Leading company within the cloud computing era

Overwhelming leader in terms of IT infrastructure-building capabilities among system integrators

(2) Strengthen SI operations and outsourcing business

Medium-term vision

Expand SI development business to 100 billion yen level

Offer integrated IT services using the Group's comprehensive capabilities

(3) Bolster sales force

(4) Reinforce profits

Key 2nd Half Initiatives

1

Boost revenues (orders) for the next term

■ Bolster sales force

Promote offering of comprehensive service to existing customers by leveraging cloud services, and develop new customer base

■ Enhance sales of CTC's original cloud service

SecurePremium, TechnoCUVIC, SOIDEAL

■ Focus on smart phone-related business

Mobile device management, MAMS, SmartBiz+

■ Expand SI development business

Pursue infrastructure SI services with focus on private cloud and network, and bolster proposals related to backbone systems

2

Maintain high profit margin and reduce SG&A expenses

3

Pursue medium- to long-term measures that make use of the group's comprehensive capabilities

- Promote CTC Comprehensive Cloud Strategy
- Prepare to respond to the big data trend
- Strengthen next-generation network field for the telecom sector
- Expand SI development business
- Enhance data center business including building new centers to respond to BCP and DR needs
- Pursue global expansion

CTC

▼ *Challenging Tomorrow's Changes*